

Talking Points for March 30, 2006 CIO Council Meeting

- In 2005, 23 states had security breach notification laws – and it was introduced in another 13 state legislatures. The legislation is typically defeated the first year and 88% passes the second year.
- Online commerce is more secure than offline commerce. It is estimated that only 11.6% of Identity Theft cases involve information from online sources.
- Stolen credit card information (data that can be directly used for financial transactions) sells for between \$50 and \$200 per account or about 10% of the available credit line. Data that is not immediately usable for financial transactions (such as state government information master files) commands less than 10% of this price.
- Fraud detection: With paper statements fraud is detected after an average of 114 days with an identity theft loss totaling an average of \$4,513; with electronic statements, fraud is detected after an average 18 days with an identity theft loss totaling an average of \$551.
- With the growing number of security breach notification laws, a number of notifications may result in consumers fearing online transactions and moving back to paper.
- SECURITY BREACH NOTIFICATION – cannot be justified on the basis of cost / benefit analysis - it is a policy issue. The average benefit to each consumer is generously estimated to be between \$7.50 and \$10.00.
- The costs associated with SECURITY BREACH NOTIFICATION
 - Direct Notification Costs - Letters estimated @ \$2.00 each. High end: \$7.50 to \$10.00 / consumer. Note: California – notification is only required in the event of a breach of unencrypted data.
 - Costs of Actions Taken by Consumers – In the private sector, there may be a loss of customer base. In the public sector, there would be political consequences, possible funding sanctions, and new laws or rules complicating our business processes.
 - Information Costs – Data may become unavailable or prohibitively costly to access and use. This may impact future operability and functionality otherwise offered by Service Oriented Architecture.